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Financial reports and audited financial statements, and reports of the Board of Auditors

Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2016

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly, pursuant to resolution 47/211, a concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors on its audit of accounts for the year ended 31 December 2016.

* A/72/150.

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Letters of transmittal

Letter dated 30 June 2017 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you a concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2016.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

Letter dated 30 June 2017 from the Chair of the Board of Auditors addressed to the Secretary-General

I have the honour to transmit to you the concise summary of the principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its seventy-second session.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

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Abbreviations

ICT	Information and communications technology
ICTR	International Criminal Tribunal for Rwanda
ICTY	International Tribunal for the Former Yugoslavia
IPSAS	International Public Sector Accounting Standards
ITC	International Trade Centre
OIOS	Office of Internal Oversight Services
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNITAR	United Nations Institute for Training and Research
UNODC	United Nations Office on Drugs and Crime
UNOPS	United Nations Office for Project Services
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNU	United Nations University
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women

Concise summary of the principal findings and conclusions contained in the reports of the Board of Auditors for the annual financial period 2016

Summary

The General Assembly, in its resolution 47/211, invited the Board of Auditors to report in a consolidated fashion on major deficiencies in programme and financial management and cases of inappropriate or fraudulent use of resources, together with the measures taken by the relevant entities. The findings and conclusions included in the present report relate to the common themes and major issues identified in the Board's reports addressed to the General Assembly on 20 entities (see annex I). The contents of the Board's reports to the Security Council and other governing bodies are not summarized herein.

The present report summarizes the major issues, including on performance matters, reported in the separate reports on the United Nations entities submitted to the General Assembly. Most of the issues contained in the present report are of a cross-cutting nature on the predetermined audit themes based on established audit risks and special requests by the Advisory Committee on Administrative and Budgetary Questions.

I. Scope and mandate

1. The present report includes findings and conclusions identified in the Board's reports in 2016, addressed to the General Assembly, on 20 entities,[1] including the United Nations peacekeeping operations[2] (see annex I). The Board has continued to provide information on cross-entity issues, as requested by the Chair of the Advisory Committee on Administrative and Budgetary Questions on 27 January 2014 and reiterated on 19 February 2015, and on the understanding that the Committee still finds the presentation useful (see A/70/380).

2. The Board has therefore continued to report on thematic topics, key trends and cross-entity issues in its entity-level reports and included commentary in the present summary report on financial performance, cash and investment management, budget management, employee benefit liabilities, fraud awareness and prevention, implementing partners, preparedness for implementation of the Sustainable Development Goals, human resource management, procurement and contract management and travel management.

II. Overall matters for the United Nations

A. Audit opinions

3. The Board of Auditors audited the financial statements and reviewed the operations of 20 organizations (see annex I), in accordance with General Assembly resolution 74 (I) of 7 December 1946.

4. All 20 entities received unqualified audit opinions. (For an explanation of the types of audit opinions, see annex II.) Of those, ICTR and ICTY received an unqualified opinion with an emphasis of matter.

5. It is the third year that ICTR has received an emphasis of matter. This was to draw attention to the fact that it had ceased to be a going concern on 31 December 2015. The Tribunal finalized the last case under its mandate and completed amalgamation of the remaining activities with the International Residual Mechanism for Criminal Tribunals as at 1 January 2017. Operations of ICTY are expected to cease in 2017, following the completion of the remaining two cases. Liquidation activities would take place subsequently, concluding the progressive amalgamation into the Residual Mechanism.

6. The Board has issued short-form reports reflecting its audit opinions, together with long-form reports, which contain detailed findings and recommendations arising from each audit.

7. This year was the first year of preparation of financial statements through Umoja for nine entities.[3] Unlike in the previous year, the Board has received all the financial statements in a timely manner. This indicates that Umoja has stabilized for the preparation of financial statements.

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[1] ICTR has been omitted from the analysis in various places, as it is amalgamated in the International Residual Mechanism for Criminal Tribunals.

[2] To better support the General Assembly in its governance role, the Board includes United Nations peacekeeping operations in the present report to provide a more comprehensive picture. The peacekeeping operations have an annual financial cycle ending 30 June; therefore, the figures related to those operations are as at that date unless otherwise indicated.

[3] United Nations (Vol. I), United Nations peacekeeping operations, UNEP, UN-Habitat, UNODC, ITC, ICTR, ICTY, International Residual Mechanism for Criminal Tribunals.

8. The Board noted continuous improvement in the application of IPSAS in the preparation of financial statements across the United Nations system. Specific weaknesses were highlighted in the respective audit reports of the entities.

B. Financial performance

Out-turn

9. Comparison of net results of financial performance of the entities at the end of 2015 and 2016 are presented in table 1. The Board observed from the analysis of the financial statements of the 19 audited entities[4] that 8 entities (UNDP, UNEP, UN-Habitat, UNHCR, UNODC, UNOPS, ICTR and the International Residual Mechanism for Criminal Tribunals) closed the financial year with a surplus, while 11 entities (United Nations (Vol. I), United Nations peacekeeping operations, ITC, United Nations Capital Development Fund, UNFPA, UNICEF, UNITAR, UNRWA, UNU, UN-Women and ICTY) recorded a deficit. Of those 11 entities, 6 entities (United Nations (Vol. I), United Nations peacekeeping operations, UNITAR, UN-Women, UNFPA and ICTY) recorded a deficit in contrast to a surplus recorded in the previous financial year. Some of the main factors contributing to deficits noticed by the Board were an increase in operating expenses, a decrease in voluntary contributions, accounting adjustments to revenues, and mismatch between budget allocation and assessed contribution. Of the eight entities that closed the financial year with a surplus, four entities (UNDP, UN-Habitat, UNODC and the International Residual Mechanism for Criminal Tribunals) recorded a surplus in contrast to a deficit recorded in 2015. The surplus was a result of factors such as increases in pledges, decreases in expenses and increases in revenue. The Board also observed that eight entities (ITC, UNDP, UNEP, UN-Habitat, UNODC, UNOPS, UNRWA and the International Residual Mechanism for Criminal Tribunals) had improved their position of surplus/deficit, whereas the remaining 11 entities had seen a decline in that respect. In that context, it has to be taken into account that United Nations entities are not-for-profit entities and that such improvements or declines are not the sole measure of their overall performance.

Table 1
Comparison of surplus/deficit of different entities
(Thousands of United States dollars)

	Surplus or deficit			
Entity	*2016*	*2015*	*Difference*	*Improvement decline*
United Nations (Vol. I)	(11 487)	12 101	(23 588)	Decline
United Nations peacekeeping operations	(149 820)	11 688	(161 508)	Decline
ITC	(24 406)	(32 027)	7 621	Improvement
United Nations Capital Development Fund	(10 317)	(8 315)	(2 002)	Decline
UNDP	443 047	(237 254)	680 301	Improvement
UNEP	183 434	96 282	87 152	Improvement
UNFPA	(72 065)	15 421	(87 486)	Decline
UN-Habitat	40 170	(102)	40 272	Improvement

[4] The United Nations Joint Staff Pension Fund is not included because it follows International Accounting Standard 26 for the reporting framework and IPSAS for accounting treatments.

Entity	Surplus or deficit		Difference	Improvement decline
	2016	2015		
UNICEF	(507 461)	(75 539)	(431 922)	Decline
UNITAR	(172)	1 948	(2 120)	Decline
UNHCR	126 885	303 469	(176 584)	Decline
UNODC	100 298	(3 763)	104 061	Improvement
UNOPS	31 280	14 335	16 945	Improvement
UNRWA	(42 076)	(121 045)	78 969	Improvement
UNU	(23 806)	(11 429)	(12 377)	Decline
UN-Women	(5 472)	4 014	(9 486)	Decline
ICTR	2 142	28 997	(26 855)	Decline
ICTY	(10 096)	10 928	(21 024)	Decline
International Residual Mechanism for Criminal Tribunals	7 245	(23 578)	30 823	Improvement

Source: Financial statements of the different entities.

10. Table 2 depicts changes in net assets over two years (2015 and 2016). Figure I shows a graphical representation of the comparison of net assets over the two-year period. The Board observed that ITC had negative net assets and that they had increased from 2015 because of continuous deficit and an increase in liabilities. ITC needs to take adequate measures and work to improve the status of its net assets. Otherwise, this may impact the functioning of the entity in the long run.

11. Further, the net assets of 10 entities (United Nations (Vol. I), United Nations peacekeeping operations, ITC, United Nations Capital Development Fund, UNFPA, UNICEF, UNRWA, UNU, UN-Women and ICTY) declined over the previous year. Some of the reasons for the decreases were deficits during 2016 and actuarial losses on employee benefit liabilities. Net assets of the remaining nine entities (UNDP, UNEP, UN-Habitat, UNITAR, UNHCR, UNODC, UNOPS, ICTR and International Residual Mechanism for Criminal Tribunals) had increased compared with the previous year. The increases were attributed to reasons such as a decrease in liabilities, an increase in voluntary contributions, gains from actuarial valuation and the impact of increased surplus.

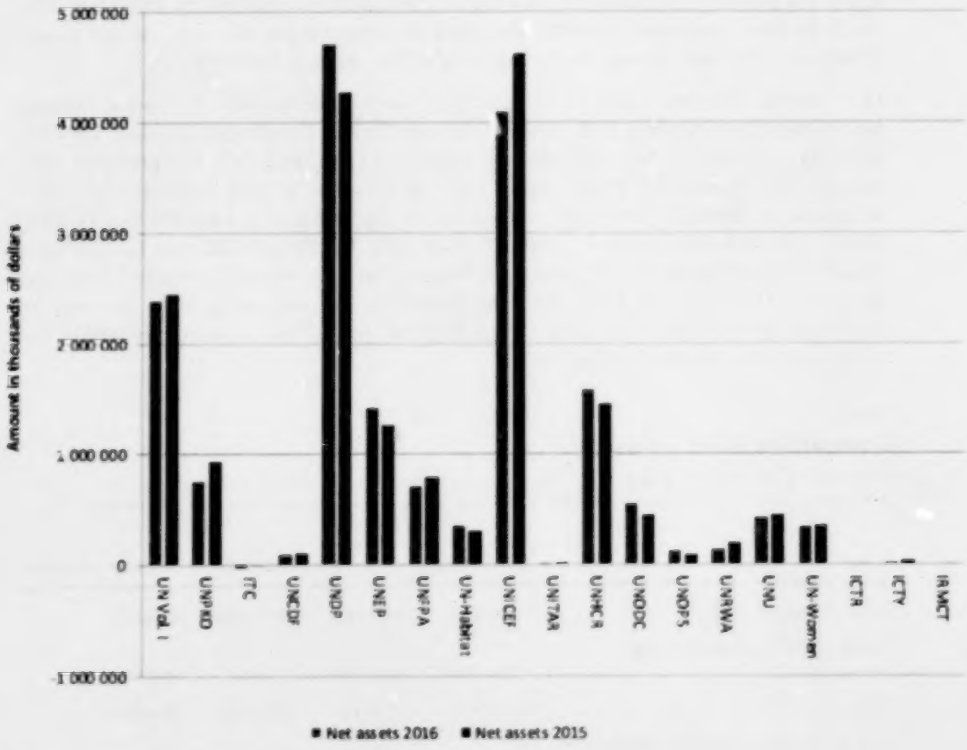
Table 2
Comparison of net assets
(Thousands of United States dollars)

Entity	Net assets		Difference	Improvement decline
	2016	2015		
United Nations (Vol. I)	2 380 432	2 447 580	(67 148)	Decline
United Nations peacekeeping operations	759 039	933 026	(173 987)	Decline
ITC	(33 895)	(414)	(33 481)	Decline
United Nations Capital Development Fund	96 814	107 091	(10 277)	Decline
UNDP	4 705 851	4 270 136	435 715	Improvement
UNEP	1 414 225	1 261 328	152 897	Improvement
UNFPA	711 430	794 372	(82 942)	Decline

Entity	Net assets 2016	Net assets 2015	Difference	Improvement decline
UN-Habitat	349 901	310 359	39 542	Improvement
UNICEF	4 095 984	4 631 026	(535 042)	Decline
UNITAR	21 316	21 097	219	Improvement
UNHCR	1 586 099	1 456 148	129 951	Improvement
UNODC	550 352	453 005	97 347	Improvement
UNOPS	131 586	99 191	32 395	Improvement
UNRWA	142 627	196 103	(53 476)	Decline
UNU	423 391	447 565	(24 174)	Decline
UN-Women	347 671	358 512	(10 841)	Decline
ICTR	8 101	5 955	2 146	Improvement
ICTY	19 749	29 108	(9 359)	Decline
International Residual Mechanism for Criminal Tribunals	14 866	6 840	8 026	Improvement

Source: Financial statements of the different entities.

Figure I
Comparison of net assets of different entities



Source: Financial statements of the different entities.

Ratios

12. Ratio analysis is a quantitative analysis of information provided in the financial statements. The Board's report of various entities discussed mainly four ratios, namely, current ratio (current assets to current liabilities), total assets ratio (total assets to total liabilities), cash ratio (cash + short-term investments to current liabilities) and quick ratio (cash + short-term investments + accounts receivable to current liabilities). A high current ratio indicates an entity's ability to pay off its short-term liabilities. A high ratio of total assets to total liabilities is a good indicator of solvency or financial sustainability. The cash ratio is an indicator of an entity's liquidity, measuring the amount of cash, cash equivalents or invested funds that are in current assets to cover current liabilities. The quick ratio is a more conservative liquidity indicator than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

13. Ratio analysis provides an assessment of financial sustainability and liquidity across United Nations entities (see table 3). In general, a ratio of 1:1 is considered to be a sound indicator of financial sustainability or liquidity.

14. Except ITC, all other entities[5] demonstrated having more assets than liabilities, thus showing strong solvency. ITC has assets worth $0.76 to pay each $1 of liability. As the major part of its liability is long term (employee benefit liability), there is no immediate threat to its solvency, but ITC needs to strengthen its asset position over the long term. The Board further noticed that United Nations peacekeeping operations, UNOPS and ICTR had liquidity ratios of less than 1:1, which represented pressure in liquidity. The Board notes that the current ratio (0.35), quick ratio (0.35) and cash ratio (0.29) of UNOPS were below 1. Although this would normally indicate concern over liquidity of the entity, the trend reflects a continued policy of longer-term investments that can also be liquidated at any time. These long-term investments are not reflected in the liquidity ratio calculation but can provide sufficient liquidity to meet operational needs if required.

15. In general, the financial position of all entities remained strong. The solvency ratios and liquidity ratios were comfortably high in most of the entities and, in the case of entities in which these ratios were near 1:1 or less, there was no immediate threat to their solvency.

Table 3
Ratio analysis as at 31 December 2016

	Assets to liabilities ratio: total assets/total liabilities		*Current ratio: current assets/current liabilities*		*Quick ratio: (cash + short-term investments + accounts receivables)/current liabilities*		*Cash ratio: (cash + short-term investments)/current liabilities*	
Entity	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
United Nations (Vol. I)	1.44	1.46	3.41	2.89	3.11	2.57	2.28	1.77
United Nations peacekeeping operations	1.17	1.21	1.17	1.09	1.04	0.96	0.60	0.56
ITC	0.76	1.00	1.94	2.76	1.86	2.66	1.30	1.29
United Nations Capital Development Fund	9.8	10.3	27	18	26.63	17.67	20.4	15.6
UNDP	3.11	2.99	4.48	3.59	4.28	3.41	4.12	3.18

[5] The United Nations Joint Staff Pension Fund was not included in the analysis owing to its differing nature of operations.

Entity	*Assets to liabilities ratio: total assets/total liabilities*		*Current ratio: current assets/current liabilities*		*Quick ratio: (cash + short-term investments + accounts receivables)/ current liabilities*		*Cash ratio: (cash + short-term investments)/ current liabilities*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
UNEP	5.21	4.80	5.17	4.74	3.69	3.46	2.35	2.13
UNFPA	2.6	2.9	5.7	4.5	5.2	3.8	4	2.6
UN-Habitat	4.71	3.92	6.49	4.76	5.76	4.18	2.76	1.92
UNICEF	1.94	2.11	2.68	2.80	2.05	4	1.50	1.40
UNITAR	2.95	3.02	15.02	12.83	12.40	11.68	8.09	7.56
UNHCR	2.7	2.7	7.9	8.6	6.9	7.5	4.0	4.6
UNODC	3.06	2.46	5.24	3.04	4.99	2.95	3.41	1.72
UNOPS	1.09	1.07	0.35	0.85	0.35	0.84	0.29	0.82
UNRWA	1.17	1.24	2.94	2.63	1.91	1.74	1.76	1.56
UNU	6.05	7.43	3.74	10.35	3.67	10.27	2.31	7.35
UN-Women	4.17	4.95	7.95	8.83	6.78	7.5	6.55	7.1
ICTR	1.14	1.09	0.94	5.13	0.93	5.04	0.72	2.35
ICTY	1.25	1.36	5.25	7.11	5.23	7.06	3.31	4.26
International Residual Mechanism for Criminal Tribunals	1.17	1.11	7.46	0.88	7.38	0.84	1.59	0.79

Source: Audit reports of the Board.

C. Cash and investment management

16. The United Nations and several of its funds and programmes manage significant cash and investments. The administrations have in some cases established specialized treasury functions to support their various needs, and some also provide cash management services to other organizations. With the implementation of the Umoja system, the United Nations has introduced a house bank system in which bank accounts are no longer associated with individual entities. In the house bank system, bank accounts are maintained by currency and country, and all participating entities use them for carrying out transactions. Similarly, the United Nations Treasury maintains an investment pool to invest the pooled amount of participating entities. As at 31 December 2016, a total 11 entities[6] covered in the present report were participating in the investment pool maintained by the United Nations Treasury, which manages total assets of $9.03 billion under its investment pool. Similarly, there are five entities[7] covered in the present report that are pooling investment resources under the leadership of UNDP. UNDP managed a total of $7.28 billion in investments for its own programme and for other United Nations entities under service agreements.

17. As cash balances and the number of accounts, transactions and payment currencies increase, there is a greater need for professional management of the cash and investment so that risks and returns are properly managed. Furthermore, it is vital for the United Nations and its funds and programmes to manage public funds by adopting a strategy to safeguard the funds, maximize return on investment and

[6] UNEP, UN Habitat, ICTR, ICTY, the International Residual Mechanism for Criminal Tribunals, UNJSPF, ITC, United Nations (Vol. I), UNODC, United Nations peacekeeping operations and UNU.

[7] United Nations Capital Development Fund, UNDP, UNFPA, UNITAR and UN-Women.

ensure the continuous availability of cash needed to maintain operations and the optimum level of investments that should be held to underpin the delivery of their activities. Cash and investment pooling is the most desirable model for ensuring effective cash and investment management. This decreases the cost of transactions and provides expert investment management services to the participating entities. The status of cash and cash equivalents, and investments, as at 31 December 2016 for 19 entities[a] is shown in table 4.

Table 4
Cash and cash equivalents and investments as at 31 December 2016
(Thousands of United States dollars)

Entity	*Cash and cash equivalents*	*Investment*		*Has the entity pooled resources with other entities?*	*With whom the resources have been pooled*
		Short-term	*Long-term*		
United Nations (Vol. I)	820 343	1 428 837	741 169	Yes	UNHQ
United Nations peacekeeping operations	184 536	1 546 697	433 275	Yes	UNHQ
ITC	12 991	22 991	11 071	Yes	UNHQ
United Nations Capital Development Fund	12 753	48 019	26 951	Yes	UNDP
UNDP	917 451	3 464 166	2 002 210	Yes	UNDP
UNEP	169 714	300 456	144 677	Yes	UNHQ
UNFPA	213 582	324 880	218 047	Yes	UNDP
UN-Habitat	55 540	98 158	47 265	Yes	UNHQ
UNICEF	1 133 528	2 681 362	776 248	No	–
UNITAR	5 121	10 651	0	Yes	UNDP
UNHCR	972 350	150 000	0	No	–
UNODC	143 896	246 445	118 669	Yes	UNHQ
UNOPS	399 373	12 764	1 122 613	No	–
UNRWA	267 225	25 073	3 988	No	–
UNU	46 900	13 388	315 460	Yes	UNJSPF/UNHQ
UN-Women	100 979	171 792	114 414	Yes	UNDP
ICTR	14 579	25 812	12 429	Yes	UNHQ
ICTY	18 527	32 741	15 765	Yes	UNHQ
International Residual Mechanism for Criminal Tribunals	6 560	11 605	5 588	Yes	UNHQ

Source: Financial statements of the different entities.

D. Budget management

Results-based budgeting

18. In any organization, the budget is a key tool for deciding how resources will be allocated to deliver strategic objectives. Budgets should represent an articulation of an organization's priorities and aspirations and communicate management's view on the resources required to achieve them.

19. The Secretary-General, in his report on renewing the United Nations: a programme for action (A/51/950/Add.6), proposed that he and Member States should enter into a dialogue with the aim of shifting the United Nations programme

[a] Except UNJSPF.

budget from a system of input accounting to results-based accountability. The Secretary-General has defined results-based budgeting as "methodology and format for developing budgets that focus on outputs and outcomes, using predetermined criteria set by Member States".

20. The goals of results-based budgeting within the United Nations are:

- To measure performance in order to show whether the activities of the Organization actually make a difference
- To establish a top-down, logical framework, using a number of strictly defined concepts, such as objectives for the biennium, expected results, performance indicators and outputs
- To use the biennial programme budget as a direct link between expected accomplishments and resource requirements
- To become a management and planning tool, rather than another budgeting methodology, by mapping the expected results for a biennium in advance and continuously tracking them
- To focus on the question of "why performance was below expectations" and enable managers to detect deficiencies (rather than be a simple cost-cutting tool).

21. Thus, the results-based budget is an important tool to ensure that the United Nations and its funds and programmes are working towards achieving their outcomes and outputs. The Board noted that, except UNU, all other entities[9] have adopted results-based budgeting (see table 5). UNU applies the UNU project management guidelines, which use concepts similar to results-based budgeting; detailed quality and performance indicators are defined and results monitored throughout the project implementation cycle.

Table 5
Status of the budget in different entities

Entity	*Number of budgets the entity has*	*Does the entity have a results-based budgeting framework?*
United Nations (Vol. I)	1	Yes
United Nations peacekeeping operations	17	Yes
ITC	1	Yes
United Nations Capital Development Fund	1	Yes
UNDP	1	Yes
UNEP	4	Yes
UNFPA	2	Yes
UN-Habitat	2	Yes
UNICEF	6	Yes
UNITAR	1	Yes

[9] ICTR has not been considered for the present analysis.

Entity	*Number of budgets the entity has*	*Does the entity have a results-based budgeting framework?*
UNHCR	1	Yes
UNJSPF	1	Yes
UNODC	2	Yes
UNOPS	1	Yes
UNRWA	4	Yes
UNU	1	No
UN-Women	2	Yes
ICTY	3	Yes
International Residual Mechanism for Criminal Tribunals	4	Yes

Source: Information provided by the different entities.

22. The Board noted that 10 entities had multiple budgets for different purposes. All entities had a budget that was directly linked to statements of comparison of budget and actual amounts in the financial statements.

23. The issues noticed by the Board in budget management are discussed below.

24. Core management functions are typically required to be funded from the institutional budget. Nevertheless, the Board observed that UNICEF continued funding a part of core management functions from programme funds. The Board further noted that on 3 July 2017 UNICEF had come up with a guideline to identify the operational costs that should be met from the programme budget and the institutional budget.

25. For the United Nations (Vol. I), the Board is of the view that the actual consumption figures for the first 10 months of the first year of the biennium should be considered for framing revised estimates and for adjusting budgetary allocation for the first and the subsequent year at the time of the preparation of the first performance report. This would add value to the budget preparation and monitoring exercise and help in ensuring that a more dynamic watch is kept on expenditure trends.

26. In the six visited country offices of UN-Habitat, the Board noted that five projects (two in the Sudan, three in Somalia) had budget overspends of $1.02 million without a written authority, contrary to the provision of the project manual. UN-Habitat attributed the overspending to factors such as Umoja shortcomings, which have already been communicated to the Headquarters via UNON in order to enhance or correct the system. The Board is of the view that overspending of the budget lines constitutes non-compliance with the budget controls instituted by UN-Habitat and weakens the purpose of the budget as a financial management tool.

27. The approved budget for ICTR liquidation activities from 1 January 2016 to 31 May 2016 was $2.09 million from the regular budget. The liquidation process was not completed as planned, however, and an extension of two months was allowed to complete the remaining activities. The Board noted that the liquidation

budget did not include education grant benefits for ICTR staff who had separated in 2015 and 2016 and that a provision for separation established in 2015 was insufficient. The payments for those unbudgeted education grant claims and separation entitlements resulted in an overexpenditure of $3.73 million in 2015, which had to be settled against the 2016 appropriation.

28. The Board noted in UNOPS that explanations of item-wise material differences between the original management budget and the final budget, and between the final budget and the actual amounts, were not presented in either the financial statements or the Executive Director's statement. Such an explanation of material differences is required to be presented as per the provisions of paragraph 14 of IPSAS 24.

E. Employee benefit liabilities

29. Post-employment benefits are those payable after completion of employment, but exclude termination payments. Post-employment benefits include pension plans, post-employment medical care (after-service health insurance), repatriation grants and other lump sums payable after the completion of employment. The pensionary benefits are paid through the United Nations Joint Staff Pension Fund. The status of employee benefit liabilities (excluding pensionary benefits) in different entities[10] is presented in table 6.

Table 6
Status of employee benefit liabilities in different entities
(Thousands of United States dollars)

	Total employee benefit liability[a]					
Entity	*2016*	*2015*	*Increase or decrease*	*Total liabilities (2016)*	*Employee benefit liabilities as a percentage of total liabilities (2016)*	*Does the entity have funding arrangements for employee benefit liabilities?*
United Nations (Vol. I)	4 450 164	4 270 117	Increase	5 397 462	82.45	No
United Nations peacekeeping operations	1 744 456	1 606 438	Increase	4 548 585	38.35	No
ITC	90 316	79 434	Increase	138 923	65.01	No
United Nations Capital Development Fund	10 304	9 749	Increase	10 986	93.79	Yes
UNDP	1 319 995	1 254 611	Increase	2 229 431	59.21	Yes
UNEP	146 077	137 715	Increase	336 294	43.44	No
UNFPA	329 240	302 663	Increase	434 917	75.70	Yes
UN-Habitat	41 551	38 469	Increase	94 412	44.01	No
UNICEF	1 236 273	1 136 241	Increase	4 351 505	28.4	Partial
UNITAR	9 004	8 574	Increase	10 931	82.37	Partial
UNHCR	746 195	701 905	Increase	939 706	79.41	Yes
UNJSPF	76 736	70 358	Increase	227 072	33.79	Yes
UNODC	110 523	101 904	Increase	267 691	41.29	Yes
UNOPS	97 720	89 068	Increase	1 505 185	6.49	Yes
UNRWA	745 860	697 436	Decrease	830 262	89.83	No
UNU	14 317	13 312	Increase	83 869	17.07	Yes

[10] Except ICTR.

UN-Women	78 751	74 461	Increase	109 818	71.71	Yes
ICTY[b]	41 116	45 539	Decrease	79 053	52.01	Yes
International Residual Mechanism for Criminal Tribunals	61 803	14 692	Increase	89 547	69.02	Yes

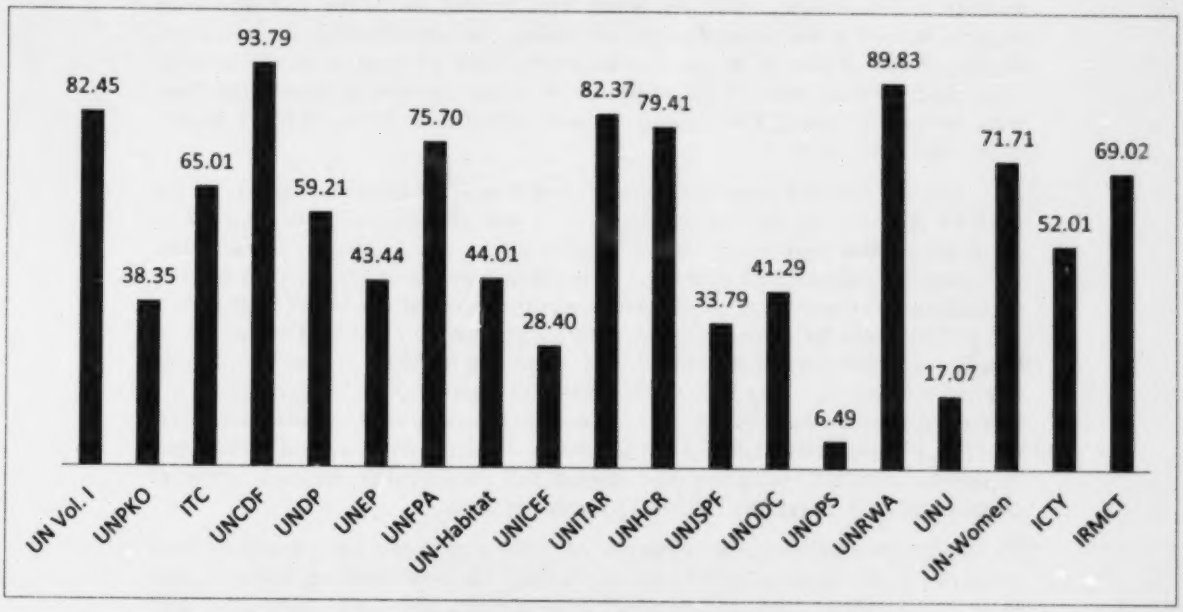
Source: Financial statements and information provided by the different entities.

[a] Excluding pension liabilities.

[b] Excluding judges' benefits liabilities.

Figure II

Employee benefit liabilities as a percentage of total liabilities



Source: Financial statements of the different entities.

30. The Board noted that employee benefit liabilities were among the major liabilities for most of the entities. Figure II shows employee benefit liabilities as a percentage of total liabilities. For 17 entities, such liabilities were more than one fourth (25 per cent) of total liabilities; for 11 entities, they were more than half of total liabilities. They were as high as 93.79 per cent of total liabilities for the United Nations Capital Development Fund and more than 75 per cent of total liabilities for the United Nations (Vol. I), UNFPA, UNITAR, UNRWA and UNHCR.

31. It is important for entities to have a funding plan for these liabilities. Absence of such a funding arrangement would make it very difficult for an entity to make payment of employee benefit liabilities in the long run. The Board noted that six entities[11] had no funding arrangements for employee benefit liabilities and that UNICEF and UNITAR had only a partial funding arrangement. There was an immediate need for the entities of United Nations system to consider appropriate funding arrangements for long-term employment benefit liabilities similar to the joint arrangements worked out for pensionary liabilities, or any other suitable arrangement.

[11] United Nations (Vol. I), United Nations peacekeeping operations, ITC, UNEP, UN-Habitat and UNRWA.

32. The issues noticed by the Board in managing employee benefit liabilities are discussed below.

33. The Board finds that there is inadequate control over the whole exercise of collecting and collating the details of staff (active staff and retirees) for onward transmission to the actuary in the United Nations (Vol. I). The Administration is dependent upon various Missions sending their respective details to Headquarters. The omissions in the data sent for actuarial valuation indicate that sufficient checks are not carried out at Headquarters to ensure their completeness. Although it was mentioned that the data pertaining to some entities had to be extracted from a number of systems other than Umoja, the Board found that details of a substantial number of international staff for whom data resided in Umoja had also been omitted. After that was pointed out by the Board, the Administration identified and forwarded the details of 932 active employees and 19 retirees to the actuary. Accordingly, on the basis of the advice of the actuary, employee benefit liabilities were restated by adding $56.3 million to such liabilities in 2016 and $51.2 million to such liabilities in 2015.

34. Article 12 of the Regulations, Rules and Pension Adjustment System of the UNJSPF provides that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years. Based on examination of the actuarial valuation, the Board found anomalies in the data supplied to actuaries for making calculations. The number of participants as per the financial statements of 2015 was 126,892, whereas the actuarial report cited the number as 114,375. The number of benefits of retired participants was 71,474 as per the financial statements of 2015, whereas the corresponding figure in the actuarial report was 75,299. Therefore, the actuarial valuation done by the actuary was inconsistent with the data published with the 2015 financial statements. When that was pointed out, the Fund decided not to use the actuarial valuation and instead roll forward the previous actuarial valuation as at 31 December 2013 to 31 December 2016.

35. In UNDP, the actuarial valuation of 2016 was based on participant data forwarded to the actuaries in 2015 as per practice. The Board noticed, however, that as at 31 December 2016, the number of participants was 3,494, while the data forwarded to the actuary had the details of only 3,327 participants, indicating a change of 167. The Board considers that the decision to roll forward prior-year data should have been based on a clearly pre-defined threshold for a significant change in the staffing profile which determines the need for a full formal valuation using current data or a rolling forward prior-year data.

36. Since 2012, UNHCR has funded after-service health insurance liabilities by charging 3 per cent of the net base salary of all professional and relevant general service staff. The accumulated funding balance as at 31 December 2016 was $59.9 million. With regard to these funding reserves, UNHCR currently applies an investment strategy with a maximum term of investment of up to one year. Nevertheless, the Board pointed out that the after-service health insurance liabilities had a long-term maturity. The Board holds that an analysis of risks and rewards from a strategy that matches long-term after-service health insurance assets with corresponding liabilities is required. This analysis could be done with reference to the time horizon of the after-service health insurance liability, liquidity requirements, associated currency requirements and other appropriate factors.

F. Fraud awareness and prevention

37. The Charter of the United Nations states that the "paramount consideration in the employment of the staff and in the determination of the conditions of service

shall be the necessity of securing the highest standards of efficiency, competence, and integrity" (art. 101). The promotion and maintenance of a culture of integrity and honesty need to be a pillar of utmost importance in the work culture of the United Nations, its funds and programmes.

38. The United Nations and its funds and programmes deal with contributions raised from the member countries and donations from governmental and non-governmental entities. Dealing with money received in good faith makes the United Nations and its funds and programmes more responsible and accountable for demonstrating a culture of good and transparent governance and zero tolerance of fraud and corruption.

39. The Board collected information from 18 entities[12] and analysed how those entities were equipping themselves to deal with fraud. The Board noted that all entities had confirmed that they had in place:

- A documented anti-fraud and anti-corruption framework
- Adequate strategies to prevent fraud
- A mechanism to report and monitor fraud cases
- A mechanism to protect whistle-blowers.

Nevertheless, only 11 out of 18 entities had conducted fraud risk assessments, and six entities had no earmarked funds, as indicated in table 7 below:

Table 7
Mechanism to monitor and prevent fraud

Entity	*Has the entity conducted a fraud risk assessment?*	*Has the entity allocated dedicated resources for anti-fraud measures and activities*
United Nations (Vol. I)	No	Yes
ITC	No	Yes
United Nations Capital Development Fund	Yes	Yes
UNDP	Yes	Yes
UNEP	No	Yes
UNFPA	Yes	Yes
UN-Habitat	Yes	No
UNICEF	Yes	Yes
UNITAR	No	No
UNHCR	Yes	Yes
UNJSPF	Yes	Yes
UNODC	No	No
UNOPS	Yes	Yes
UNRWA	Yes	Yes

[12] Except United Nations peacekeeping operations and ICTR.

Entity	*Has the entity conducted a fraud risk assessment?*[a]	*Has the entity allocated dedicated resources for anti-fraud measures and activities*
UNU	Yes	No
UN-Women	Yes	Yes
ICTY	No	No
International Residual Mechanism for Criminal Tribunals	No	No

Source: Information provided by the different entities.

[a] Fraud risk assessment is done to identify and address the vulnerability of an entity to internal fraud. Fraud examiners can use that resource to assist organizations in obtaining a better understanding of the overall fraud threat they face, identifying fraud risks and developing a fraud risk response. The assessment may be integrated with an overall organizational risk assessment or performed as a stand-alone exercise, but should, at a minimum, include risk identification, risk likelihood and significance assessment, and risk response.

40. To prevent or detect fraud, an entity needs to build capacity in the organization. For capacity-building, training is the foremost tool available. The Board reviewed the status of training related to awareness of fraud in 18 entities.[13] The Board noted that all the entities had fraud awareness programmes and, except for ICTY and the International Residual Mechanism for Criminal Tribunals, all entities had imparted training on fraud awareness to their staff. When asked about the percentage of staff trained, nine entities, namely, the United Nations (Vol. I), ITC, UNEP, UN-Habitat, UNHCR, UNJSPF, UNODC, UNOPS and UN-Women, could provide data. The status of training on fraud awareness is shown in table 8 below.

Table 8
Fraud awareness training

Entity	*Percentage of staff that has received such training*	*Has such training been imparted to the staff working in the most vulnerable areas, e.g., procurement, fund management and staff claims?*
United Nations (Vol. I)	67	Yes
ITC	80	Yes
United Nations Capital Development Fund	Not available	Yes
UNDP	Not available	Yes
UNEP	99	Yes
UNFPA	Not available	Yes
UN-Habitat	89	Yes
UNICEF	Not available	Yes
UNITAR	Not available	Yes
UNHCR	8[a]	Yes
UNJSPF	100	Yes
UNODC	67	Yes
UNOPS	7	Yes
UNRWA	Not available	Yes

[13] Except ICTR and United Nations peacekeeping operations.

Entity	*Percentage of staff that has received such training*	*Has such training been imparted to the staff working in the most vulnerable areas, e.g., procurement, fund management and staff claims?*
UNU	Not available	Yes
UN-Women	100	Yes
ICTY	Not available	No
International Residual Mechanism for Criminal Tribunals	Not available	No

Source: Information provided by the different entities.

[a] The training was launched only on 9 December 2016 and is ongoing.

41. The Board noted that, for the United Nations (Vol. I) and other Secretariat entities, the Under-Secretary-General for Management had issued the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25), dated 9 September 2016. The objective was to assist the Secretariat in promoting a culture of integrity and honesty within the United Nations by providing information and guidance on how the Secretariat acts to prevent, detect, deter, respond to and report on fraud and corruption. The Board noted that, while the kinds of cases that would be considered high risk or low risk were illustrated, the criteria were general and there was no specific guidance to determine which investigations would be considered high risk and complex. The lack of specific guidance exposed the process to the risk of arbitrariness and precluded the Administration from realizing the benefits of having put a comprehensive anti-fraud and anti-corruption framework into place.

G. Implementing partners

42. The United Nations and its funds and programmes have a vast mandate to fulfil. They need to work in different areas of the world and continuously provide services and assistance. It is neither economical nor efficient for the United Nations and its funds and programmes to deploy their staff for all of the work they execute. Thus, they accept help from implementing partners in delivering their mandate. An implementing partner is an entity that is responsible and accountable for ensuring the proper use of agency-provided resources and the implementation and management of the intended programme as defined in the work plan. An implementing partner can be a governmental or non-governmental agency, or even a United Nations agency which is executing the work.

43. The harmonized approach to cash transfer framework was first adopted in 2005 by UNDP, UNICEF, UNFPA and the World Food Programme, pursuant to General Assembly resolution 56/201 on the triennial policy review of operational activities for development of the United Nations system. The framework represents a common operational (harmonized) framework for transferring cash to government and non-governmental implementing partners, irrespective of whether these partners work with one or multiple United Nation agencies. The objective of the framework is to support a closer alignment of development aid with national priorities and to strengthen national capacities for management and accountability, with the ultimate objective of gradually shifting to national systems. At present, the framework applies to UNDP, UNFPA and UNICEF in all situations, including in emergency and crisis situations, and in post-conflict countries. Other United Nations agencies and inter-agency programmes may adopt the revised framework based on its applicability to their rules, policies and business models.

44. Based on their business models, other United Nations entities, such as United Nations (Vol. I) and UNHCR, have developed their own frameworks. For instance, the framework of UNHCR for implementing partnerships includes comprehensive governance and management instruments for protecting persons of concern to UNHCR. This framework was designed to support accountability with respect to resources entrusted to UNHCR. It outlines the policies, guidelines and practices of UNHCR when working with partners to implement projects. The main elements of the UNHCR framework are: (a) selection and retention of partners for undertaking project partnership agreements; (b) design of project partnership agreements; (c) implementation and monitoring; and (d) accountability and closure of project partnership agreements.

45. The assurance mechanisms that are used to manage grants in respect of the country-based pooled funds of the Office for the Coordination of Humanitarian Affairs of the Secretariat, reported under the United Nations (Vol. I), are prescribed in the country-based pooled fund operational handbook. The assurance mechanism varies from project to project depending on four factors, namely, the type of implementing partner, the partner risk level, the value of the project and the duration of the project. The assurance is exercised by fixing the percentage of project funds that are disbursed in each tranche. Further, the requirement of financial reporting and narrative reports is prescribed both during and upon the completion of the project. Monitoring is prescribed through field visits and financial spot checks. In addition, there is a requirement that projects be audited.

46. The Board has reviewed the relationship of implementing partners with the United Nations, its funds and agencies (see table 9). United Nations entities need to ensure the effective selection, monitoring and assessment of implementing partners for effective delivery of their mandate through such partners.

Table 9
Implementing partners

Entity	*Amount transferred to implementing partners as a percentage of total programme budget*	*Does the entity have a risk-based assurance framework for monitoring the work of implementing partners?*	*Does the entity have documented fraud-detection tools for detecting fraud by implementing partners?*
United Nations (Vol. I)	23	Yes	Yes
UNDP	52	Yes	Yes
UNEP	29	Yes	No
UNFPA	32	Yes	Yes
UN-Habitat	19	Yes	No
UNICEF	39	Yes	Yes
UNITAR	10	No	Yes
UNHCR	36	Yes	Yes
UNODC	5	Yes	No
UN-Women	17	Yes	No

Source: Information provided by the different entities.

47. The Board noted that 10 entities (United Nations (Vol. I), UNDP, UNEP, UNFPA, UN-Habitat, UNICEF, UNITAR, UNHCR, UNODC and UN-Women) use implementing partners to execute their mandate. They transfer substantial amounts to implementing partners to carry out the activities. The amounts transferred ranged

between 5 per cent (UNODC) and 52 per cent (UNDP) of their respective programme budgets.

48. The Board further noted that all the reviewed entities had a documented procedure for the selection of implementing partners, a policy for transferring funds to implementing partners and assessment policies to monitor them. Except for UNITAR, all other reviewed entities had a risk-based assurance framework for monitoring the work of implementing partners.

49. For preventing the occurrence of fraud by implementing partners, entities need to have documented fraud detection tools. The Board noted that the United Nations (Vol. I), UNDP, UNFPA, UNICEF, UNITAR and UNHCR had documented tools for detecting fraud by implementing partners.

50. The issues noticed by the Board in the managing of implementing partners are discussed below.

51. For UNHCR, the Board continues to take a positive view of UNHCR processes at the headquarters level which support the implementing partnership expenses. On its visits to country operations, however, the Board identified room for improvement, for instance, in identifying project risks and using a risk-based monitoring approach. The quality of the risk descriptions and the underlying risk assessments varied significantly among country operations and sometimes even among offices within the same operation. In some operations, key project risks were described in different documents, but not in a coherent way.

52. The Board observed that, in the United Nations (Vol. I), the revenues received from contributions made by the European Union/European Commission under the financial and administrative framework agreements were treated as conditional. Hence, it was expected that the United Nations would retain control over the transfers made out of those revenues to implementing partners for specific implementation goals. Even in such cases, however, the transfers to implementing partners had been expensed in the financial statements, indicating a loss of control over those transfers. The Board finds this to be a dichotomous situation, as the United Nations bears the risk of conditional contributions but does not pass the associated risk downstream to the implementing partners. The Board therefore emphasizes that agreements with implementing partners should have adequate provisions establishing the control of the United Nations over such transfers to implementing partners to match with the conditions in their respective agreements.

53. In the course of the audit of the country offices of the Office for the Coordination of Humanitarian Affairs, the Board observed that the procedure whereby country offices maintain the validity of the long-term agreement for audit service[14] until a new agreement has been obtained was not followed in Afghanistan and Myanmar. The long-term agreement for audit service had expired before a new one was obtained.

54. From an analysis of the data relating to the final financial statement and final narrative report related to the implementing partners for the years 2015 and 2016, the Board noted that, out of 489 projects that were due for submission of a final narrative report, 59 projects (12 per cent) had been delayed beyond two months from the due date, which was indicative of risk and affected the quality of evaluation of projects of country-based pool funds in Office for the Coordination of Humanitarian Affairs in the United Nations (Vol. I).

[14] Long-term agreements are entered into by the country offices with auditing firms to audit implementing partners.

55. While the framework of UNHCR for working with implementing partners encourages country operations to adopt a risk-based monitoring approach to the verification and oversight of implemented projects, the Board identified cases in which a risk-based monitoring approach had not been adequately used in practice. The findings also highlighted the need to take a more risk-focused monitoring approach and to ensure that monitoring visits to implementing partners were planned in a systematic manner. In times of increased financial restrictions and underfunding of operations, a risk-based monitoring approach was reasonable, as it could reduce the cost and burden of verification, while providing stronger and more focused monitoring.

56. As per the harmonized approach to cash transfers policy, paragraph 21 (a) targets for assurance activities implemented stood at 90 per cent by the end of 2016. In UNICEF, the Board observed shortcomings in meeting the targets in the following areas:

- Spot checks in the East Asia and Pacific region (84 per cent), East and Southern Africa region (87 per cent), Latin America and Caribbean region (84 per cent) and Middle East and North Africa region (70 per cent)
- Nine country offices conducted less than 80 per cent of spot checks: Democratic Republic of Congo (79 per cent), Central African Republic (71 per cent), Iraq (70 per cent), Mozambique (61 per cent) Somalia (56 per cent), Turkey (41 per cent), Sierra Leone (38 per cent), Yemen (35 per cent) and Syrian Arab Republic (33 per cent)
- Five country offices conducted less than 80 per cent of programmatic visits: Pakistan (77 per cent), Iraq (76 per cent), Mozambique (61 per cent), Central African Republic (69 per cent) and Ghana (56 per cent).

57. In UN-Habitat, 12 implementing partners at the Nepal and Philippines country offices had delayed the submission of their final financial reports and audited financial statements for periods ranging from two to nine months from the agreed submission date, contrary to the cooperation agreements between UN-Habitat and the implementing partners. At the Philippines country office, management attributed the delay to the staff's limited knowledge of Umoja during the migration process. At the Nepal country office, management explained that the delays were mainly the result of the 25 April 2015 earthquake and the national festivals of Dashain and Tihar in September and October 2015). The Board noted that the earthquake in Nepal that occurred in 2015 could not be the main cause of delays that had been occurring since 2014. The other reasons cited were known in advance and were controllable.

58. Paragraph 4 (f) of the harmonized approach to cash transfers programme and operations policies and procedures requires that, where agencies share an implementing partner, they should work together to ensure an appropriate balance between the agency's assurance requirements and the burden of oversight and assurance on the implementing partner. In UNDP, the Bangladesh, Honduras and Uruguay country offices did not have joint the harmonized approach to cash transfer assurance plans, even though they shared implementing partners with other United Nations agencies. Management attributed non-preparation of a joint harmonized approach to cash transfer assurance plan to factors such as differences among agencies in the definition of implementing partners, the threshold for implementing partners and timelines for audits of national implementation modalities and non-governmental organizations. The Board takes note of management explanations but still underscores the benefits of having a joint assurance plan that includes balancing the oversight burden and increased assurance levels.

59. According to its cost recovery policy and procedures, UN-Women reimburses expenses and fees incurred by implementing partners in the implementation of the programme activities that it funds from project resources. The applicable rates are negotiated between the parties and specified in the project workplan or project budget. The current policy does not, however, provide guidance on the basis or criteria to be used by UN-Women and its implementing partners in determining the rates for support costs. The Board reviewed records for 57 non-government partners with an annual budget of $8 million at six UN-Women field offices and noted that the support cost rates allocated to implementing partners ranged from 1.4 to 26.4 per cent of the annual budget, without indicating the basis used to determine those rates.

60. The Board noted deficiencies in the microassessment of implementing partners at five UNFPA field offices (the Burkina Faso, Egypt, Madagascar, Papua New Guinea and Uganda country offices). UNFPA informed the Board that it would be reviewing the reasons for the deficiencies and explained that it would develop more specific and actionable guidance for the follow-up on microassessment findings, in close collaboration with other United Nations agencies and development partners.

H. Preparedness for implementation of the Sustainable Development Goals

61. The Sustainable Development Goals, which Member States jointly committed to achieving in September 2015, provide an ambitious and long-term agenda on a broad range of vital issues. In "Transforming our world: the 2030 Agenda for Sustainable Development", the outcome document of the United Nations summit for the adoption of the post-2015 development agenda, Member States noted that: "Our Governments have the primary responsibility for follow-up and review, at the national, regional and global levels, in relation to the progress made in implementing the Goals and targets over the coming 15 years".

62. The Sustainable Development Goal framework contains 17 goals and 169 targets to be achieved by 2030. The Goals are a major improvement over the Millennium Development Goals. The Sustainable Development Goal framework addresses key systematic barriers to sustainable development, such as inequality, unsustainable consumption patterns, weak institutional capacity and environmental degradation, that the Millennial Development Goals ignored.

63. While the onus is on national Governments to strive to achieve the Sustainable Development Goals, the various United Nations agencies could play a key supportive role in supporting, facilitating, building capacity and offering other forms of assistance to national Governments in achieving specific goals. For instance, among United Nations agencies, UN-Women could play a lead role relating to Goal 5, on achieving gender equality. Similarly, UN-Habitat could play a lead role with regard to Goal 11, on sustainable cities and communities. These agencies could also support other agencies on various other targets. For example, UNICEF could support Sustainable Development Goal 5, since it aims, through its country programmes, to promote the equal rights of women and girls and to support their full participation in the political, social and economic development of their communities. It is clear from the brief description above that several goals would require close coordination and cooperation among United Nations agencies to avoid duplication of effort and ensure synergy. UNICEF informed the Board that the new strategic plans of a group of United Nations agencies shared a common chapter and annex that described the aforementioned coordination and cooperation in detail.

64. While several agencies would have an important role to play in relation to the Sustainable Development Goals, the Department of Economic and Social Affairs plays the coordinating role.

65. The Board reviewed the roles of different United Nations entities[15] in the implementation of the Goals (see annex III). Table 10 shows the Goals and the list of entities addressing them.

Table 10
Sustainable Development Goals and the entities addressing them

Sustainable Development Goals		*Entity*
Goal 1	End poverty in all its forms everywhere	ITC, United Nations Capital Development Fund, UNDP, UNEP, UNICEF, UNOPS and UN-Women
Goal 2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	ITC, UNICEF and UNOPS
Goal 3	Ensure healthy lives and promote well-being for all at all ages	UNEP, UNFPA, UNICEF, UNITAR, UNODC and UNOPS
Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	ITC, UNICEF, UNITAR and UNOPS
Goal 5	Achieve gender equality and empower all women and girls	ITC, United Nations Capital Development Fund, UNFPA, UN-Habitat, UNICEF, UNITAR, UNODC, UNOPS and UN-Women
Goal 6	Ensure availability and sustainable management of water and sanitation for all	UNEP, UNICEF, UNODC and UNOPS
Goal 7	Ensure access to affordable, reliable, sustainable and modern energy for all	United Nations Capital Development Fund, UNEP and UNOPS
Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	ITC, United Nations Capital Development Fund, UNDP, UNEP, UNITAR, UNODC, UNOPS and UN-Women
Goal 9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	ITC, United Nations Capital Development Fund, UNEP, UNICEF, UNITAR and UNOPS
Goal 10	Reduce inequality within and among countries	ITC, United Nations Capital Development Fund, UNDP, UNEP, UNFPA, UNICEF, UNITAR, UNODC and UN-Women

[15] Except ICTR and United Nations peacekeeping operations.

Sustainable Development Goals		*Entity*
Goal 11	Make cities and human settlements inclusive, safe, resilient and sustainable	United Nations Capital Development Fund, UN-Habitat, UNITAR, UNODC, UNOPS and UN-Women
Goal 12	Ensure sustainable consumption and production patterns	ITC, UNEP, UNITAR and UNOPS
Goal 13	Take urgent action to combat climate change and its impacts	UNDP, UNEP, UNICEF, UNITAR, UNOPS and UN-Women
Goal 14	Conserve and sustainably use the oceans, seas and marine resources for sustainable development	UNDP, UNEP and UNODC
Goal 15	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	UNDP, UNEP, UNITAR and UNODC
Goal 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	ITC, UNDP, UNEP, UNICEF, UNITAR, UNODC, UNOPS and UN-Women
Goal 17	Strengthen the means of implementation and revitalize the global partnership for sustainable development	ITC, United Nations Capital Development Fund, UNEP, UNICEF, UNITAR, UNODC and UNOPS

Source: Information provided by the different entities.

66. The Board noted that not all entities under review had formulated a long-term strategy on their role in the implementation of the Sustainable Development Goals. The General Assembly, in its resolution 71/243, on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, called upon United Nations funds, programmes and specialized agencies to reflect their contribution to the implementation of the 2030 Agenda for Sustainable Development in their strategic plans and similar planning documents and to elaborate on how they planned to engage in coherent and integrated support, as called for in the 2030 Agenda. Thus the entities are required to formulate long-term strategies for implementing the Goals.

67. The issues noticed by the Board in the preparedness for implementation of the Goals are discussed below.

68. For United Nations (Vol. I) entities, the Board noted that the overall strategy of the offices, departments and divisions is outlined in the biennial programme plans; the programme budget for the biennium is the operational plan. Further, the Board is of the view that there is a need to further align the strategy with the requirements to systematically address work related to the Goals in order to achieve

the coherence desired by the General Assembly. The Board further observed that methodologies and standards for the collection of data for indicators are still to be finalized. This could delay the measurement of progress of up to one third of the targets, i.e., 56 of the 169 targets.

69. The Board noted that UNODC had not officially introduced focal points for the Goals that were of importance to the field offices. The Board holds that a clear structure would accelerate the exchange of information between UNODC headquarters and field offices. Also, there was no comprehensive and integrated approach to implementation support regarding the Goals. The Board considers it necessary to develop a complete draft and long-term strategy for implementing the 2030 Agenda.

70. ITC has developed a new project portal, in which development markers are used to link each project with three Sustainable Development Goals (Goals 5, 8 and 12) only. ITC is committed to 10 out of the 17 Sustainable Development Goals. In view of the utility of the development marker, the Board is of the view that ITC needs to explore the possibility of linking all projects to the respective Goals through development markers or similar mechanisms. This would facilitate the assessment and monitoring of the impact of ITC on the achievement of the Goals.

71. UNOPS had not formulated a long-term strategy on its role in the implementation of the Goals. During its midterm assessment of the strategic plan for the period 2014-2017, UNOPS laid down a framework on how it would support the 2030 Agenda. The assessment of its contribution to different Goals suggested that four Goals (3, 9, 11 and 16) accounted for approximately three quarters of UNOPS total delivery. UNOPS saw itself as playing a supporting role towards implementation of the Goals by Member States, as it was responsive to the needs of clients and was demand-driven. UNOPS stated that it would, through its consultative process and the supporting analysis for the development of its strategic plan for the period 2018-2021, consider appropriate measures to further focus its contributions with regard to the achieving the Goals and the 2030 Agenda.

I. Human resources management

Accessible and inclusive United Nations

72. The General Assembly passed resolutions 61/106 of 13 December 2006, 64/154 of 18 December 2009, 65/186 of 21 December 2010 and 66/229 of 24 December 2011 towards the creation of a non-discriminatory and inclusive working environment for staff members with disabilities at the United Nations Secretariat. The United Nations established a formal policy on access to facilities, employment opportunities and the availability of reasonable accommodation for staff members with disabilities through the Secretary General's bulletin ST/SGB/2014/3, dated 19 June 2014.

73. The Board of Auditors, in its report A/70/5 (Vol I) and Corr.1, observed that the United Nations had no mechanisms or assurance frameworks in place to monitor progress in implementing the policy. While considering the above report of the Board of Auditors in October 2015, the Advisory Committee on Administrative and Budgetary Questions was informed by the Administration that a forthcoming administrative instruction would provide further details on the procedures for the implementation of the United Nations policy on reasonable accommodation and the responsibilities and roles of the different offices.

74. Subsequently, in December 2015, the General Assembly in its resolution 70/170, requested the Secretary General to submit to it a comprehensive

report on, inter alia, the status and application of existing regulations relating to reasonable accommodation and the status of facilities and services relating thereto and areas that needed improvement to ensure full accessibility, following universal design, and reasonable accommodation within the United Nations system, including its agencies, funds and programmes, and regional offices.

75. Accordingly, the Secretary-General submitted the report entitled "Towards the full realization of an inclusive and accessible United Nations for persons with disabilities" in August 2016 (A/71/344 and Corr.1). He indicated that action on preparing the administrative instructions would commence once the Third Committee had considered the said report and the General Assembly had issued a resolution thereon.

76. Against that background, the Board reviewed the issue of the creation of a non-discriminatory and inclusive working environment for staff members with disabilities at the entities covered in the present report.[16] The Board noted that nine entities (ITC, UN-Habitat, UNITAR, UNOPS, UNRWA, UNFPA, UN-Women, ICTY and the International Residual Mechanism for Criminal Tribunals) had no specific guideline or policy for persons with disabilities. Such a guideline or policy would be the first step towards making United Nations entities inclusive and accessible to all. Therefore, it is important that all entities should come up with a specific guideline or policy on making the workspace inclusive and accessible for all.

77. An inclusive United Nations also means that persons with disabilities should have an equal opportunity to join the organization. The Board noted that nine entities (United Nations (Vol. I), ITC, UN-Habitat, UNICEF, UNODC, UNOPS, UNRWA, UNFPA and UN-Women) could not provide information on the number of staff with disabilities recruited over the past five years. Similarly, five entities (UNU, UNITAR, UNJSPF, ICTY and the International Residual Mechanism for Criminal Tribunals) reported that no staff members with disabilities had been recruited over the past five years. This shows that the entities are not monitoring whether their recruitment process is giving equal opportunity to persons with disabilities.

78. Other than ITC and UN-Habitat, no other entity had the access audit done for their premises. The access audit would examine the difficulties in accessing the workspace and ways to improve it to make it accessible for persons with disabilities.

79. The issues noticed by the Board in human resources management are discussed below.

80. The Board noted the good work done by United Nations (Vol. I) entities to make the United Nations more friendly towards staff members with disabilities. The Board noted, however, that the administrative instruction for the implementation of the Secretary General's bulletin on the subject had not yet been finalized and that the focal point required to be appointed in that regard had not yet been appointed. The Board further noted that the review of the implementation of the bulletin due after two years of its implementation had not been conducted.

81. UNODC had established two focal points in Vienna, whereas special focal points for personnel in the field offices did not exist. The headquarter focal points, with the help of UNODC field office representatives, were performing an assessment of local standards and existing coordination arrangements with the United Nations country teams on the matter. Furthermore, UNODC had set no standards for accessibility of its field offices, neither for offices administered by UNODC nor for shared offices in United Nations common premises.

[16] UNHCR, the United Nations Capital Development Fund and ICTR were not included in the analysis.

82. The Board noted that UN-Habitat had not appointed the focal point for people with disabilities and hence no formal coordination and records had been maintained on the employment of people with disabilities. UN-Habitat informed the Board that currently the Chief of Human Resources Management Services and the Chief Medical Officer were the two officers who were dealing with disabled colleagues at all entities residing in Nairobi. However, the Board noted that those officers did not have the records of UN-Habitat staff with disabilities and the special facilities provided to them.

83. The Board observed that UNOPS had neither formulated its own specific policy guidelines similar to those contained in ST/SGB/2014/3 nor issued any administrative instructions to implement the provisions of that bulletin. The Board further noted that UNOPS did not have data on its current staff members with disabilities, persons with disabilities recruited by or resigning from (with reasons for quitting) UNOPS and requests for reasonable accommodation or feedback on access-related problems with their workplaces. The Board is of the opinion that the availability of those data would help improve policymaking and implementation of accessibility activities with the participation of staff with disabilities, towards creation of a non-discriminatory and inclusive working environment for staff members with disabilities.

J. Procurement and contract management

84. Long-term supply contracts are important for any service or delivery organization. Such contracts ensure reduced costs, increased efficiency and communication with vendors, stable pricing, improved supply chain management and continuous improvement in the quality of the product.

85. The Board reviewed the procurement management of the entities[17] (see table 11). In total procurement made by the different entities, the share of services and supplies procured was 48 per cent and 52 per cent, respectively. All entities had long-term contracts for standard items that they purchased. The Board noted that three entities (UNEP, UNFPA and UN-Habitat) could not provide information on the purchases made through the long-term contracts. The remaining 15 entities made 45 per cent of purchases through long-term supply contracts. Among entities, the range was 11 per cent to 100 per cent. Interestingly, many entities did not monitor the purchases of standard items done outside of long-term contracts.

Table 11
Procurement management
(Amount in millions of dollars)

Entity	*Total procurement by the entity*	*Procurement of services*	*Procurement of goods*	*Does the entity have system/long-term contracts for standard items*	*Amount of purchases done through system/long-term contracts*	*Procurement through system/long-term contracts as a percentage of total procurement*	*Purchases of standard items for which system/long-term contracts exist but have not been used*
United Nations Vol I	1 361.15	1 275.39	85.76	Yes	162.02	12	Not available
United Nations peacekeeping operations	1 899.38	601.39	1 297.98	Yes	953.11	50	Not available

[17] Except ICTR (closed) and UNODC (which uses the United Nations Office at Vienna for its procurement services).

Entity	*Total procurement by the entity*	*Procurement of services*	*Procurement of goods*	*Does the entity have system long-term contracts for standard items*	*Amount of purchases done through system long-term contracts*	*Procurement through system long-term contracts as a percentage of total procurement*	*Purchases of standard items for which system long-term contracts exist but have not been used*
ITC	9.29	8.39	0.90	Yes	5.30	57	Not available
United Nations Capital Development Fund	21.6	21.4	0.2	Yes	17.2	80	Not available
UNDP	1 697.47	1 105.86	591.60	Yes	848.73	50	Not available
UNEP	17.01	15.90	1.11	Yes	Not available	Not available	Nil
UNFPA	281.96	126.33	155.62	Yes	Not available	Not available	Not available
UN-Habitat	2.37	1.58	0.78	Yes	Not available	Not available	Not available
UNICEF	3 518.63	881.99	2 636.64	Yes	2647.98	75	Not available
UNITAR	2.24	2.16	0.09	Yes	1.13	50	Nil
UNHCR	1 180.00	617.40	562.60	Yes	194.00	16	Not available
UNJSPF	0.03	0.03	0.00	Yes	0.03	100	Nil
UNOPS	900.18	569.12	331.06	Yes	200.43	22	Not available
UNRWA	288.56	145.32	143.24	Yes	30.95	11	9.63
UNU	1.99	1.82	0.16	Yes	1.35	68	Nil
UN-Women	27.00	17.02	9.97	Yes	9.59	36	0.71
ICTY	22.60	22.60	0.00	Yes	22.60	100	Nil
International Residual Mechanism for Criminal Tribunals	11.08	11.08	0.00	Yes	11.08	100	Nil

Source: Information provided by the different entities.

86. The issues noticed by the Board in procurement and contract management are discussed below.

87. The Board examined 278 contracts of consultants to check compliance with ITC regulations and rules concerning the hiring of consultants. It emerged that in 204 of those contracts (73 per cent), only one candidate was considered for the job of consultant during the selection process. The main justifications cited were "lack of specialized resources/unavailability of other candidates for the proposed period/prior experience at ITC/substantive areas". This prevented ITC from ensuring a competitive selection process in the hiring of consultants.

88. Since the introduction of Umoja at UNODC in November 2015, the Procurement Unit has become aware of cases of goods delivered without purchase orders (ex post facto). As at November 2016, the Procurement Unit commenced recording the reported ex post facto cases. During the period from 1 November 2016 to 31 March 2017, the number of recorded cases amounted to 121 ($1.1 million). Most of the reported cases came from field offices. The Board held that there was no adequate technical oversight over the field offices to ensure that procurement activities were in line with the financial and procurement rules and regulations.

89. There were discrepancies in the vendor master database maintained in supply division and country offices of UNICEF visited by the Board. Further, there was no system of periodic review of the vendor master database. As the vendor master record is the primary data for procurement, the correctness and accuracy of those data is essential to identifying the correct vendors.

K. Travel management

90. Travel is a major part of expenses for an entity. In its previous concise summary reports, the Board has examined the travel management of the entities and reported the concerns of the Board in its various audit reports.

91. The status of the travel policy in the different entities is discussed in table 12.[18] The Board noted that, except for UNITAR, all entities covered in the present report had a defined policy on the advance booking of travel tickets. The Board also noted that entities had different policies for advance booking, which varied from 7 days in UNOPS to 21 days in UNDP, UNICEF and other entities. The United Nations followed the advance travel booking policy of 16 days; however, the Umoja system required submitting travel details by 21 days before travel.

92. In its report on standards of accommodation for air travel (A/71/822), the Advisory Committee on Administrative and Budgetary Questions expressed its concern over the low compliance rate with the advance purchase policy directives and encouraged stronger efforts in that regard. Review of compliance with the advance travel booking policy revealed that six entities[19] (United Nations Capital Development Fund, UNDP, UNFPA, UNICEF, UNOPS and UN-Women) did not have data on compliance with the advance travel booking policy. In the absence of data on compliance, it would not be possible for entities to effectively enforce the policy. In view of the concern expressed by the Committee, it was important for all the entities to effectively monitor compliance with the advance purchase policy.

93. In its report on standards of accommodation for air travel, the Advisory Committee on Administrative and Budgetary Questions reiterated that resources for official travel should be utilized judiciously in the interest of the Organization and that, before official travel was authorized as a means to implement mandated activities, full account of its cost-effectiveness and the impact on productivity resulting from prolonged absences from the office while travelling should be taken into account to determine whether other means of representation and methods of communication could be utilized instead. The Committee also emphasized that the primary consideration in authorizing official travel should be whether direct face-to-face contact was necessary for mandate implementation. If not, then alternative methods should be employed. The Board examined the utilization of alternative methods by the entities. Fifteen entities[20] claimed to monitor the possibility of using video teleconferencing and other alternative modes to minimize travel. When asked about the savings achieved through the use of video teleconferencing and other alternative methods, however, no entity could give the amount of savings achieved. Thus, it is evident that no entity is effectively monitoring the use of alternative methods to avoid travel.

[18] Except ICTR.

[19] UNU has not recommended a timeline for the advance purchase of travel tickets. Therefore, it also did not have any data related to compliance with a travel timeline. Nevertheless, its travel policy recommends the booking of travel tickets as early as possible.

[20] United Nations (Vol. I), United Nations peacekeeping operations, ITC, United Nations Capital Development Fund, UNDP, UNEP, UN-Habitat, UNHCR, UNJSPF, UNOPS, UNRWA, UNU, UN-Women, ICTY and the International Residual Mechanism for Criminal Tribunals.

Table 12
Travel management

Entity	*Does the entity have a defined policy on the advance booking of travel tickets?*	*As per the policy, how many days in advance of travel is the travel ticket to be booked?*	*Percentage of travel tickets booked as per the policy*	*Does the entity monitor the possibility of using teleconferencing, video teleconferencing and other modes to minimize travel?*
United Nations (Vol. I)	Yes	16 days	26.2	
United Nations peacekeeping operations	Yes	16 days	44.56	Yes
ITC	Yes	16 days	30	Yes
United Nations Capital Development Fund	Yes	21 days	Not available	Yes
UNDP	Yes	21 days	Not available	Yes
UNEP	Yes	21 days	40	Yes
UNFPA	Yes	21 days	Not available	No
UN-Habitat	Yes	16 days	14.43	Yes
UNICEF	Yes	21 days	Not available	No
UNITAR	No	–	–	No
UNHCR	Yes	16 days	30	Yes
UNJSPF	Yes	16 days	30.20	Yes
UNODC	Yes	16 days	43.90	No
UNOPS	Yes	7 days	Not available	Yes
UNRWA	Yes	15 days	37	Yes
UNU	Yes	No recommended timeline	Not available	Yes
UN-Women	Yes	15 days	Not available	Yes
ICTY	Yes	16 days	43	Yes
International Residual Mechanism for Criminal Tribunals	Yes	17 days	27	Yes

Source: Information provided by the different entities.

94. The issues noticed by the Board with regard to travel management are discussed below.

95. Between April and December 2016, a total of 2,087 trips were undertaken by ITC, of which 1,460 trips (70 per cent) were not processed within 16 days of travel. In 368 out of the above 1,460 trips (25 per cent), a justification for not processing the travel request within 16 days was not available.

96. UNICEF policy states that the traveller and the supervisor must aim to book travel at least 21 days before the travel date. The Board analysed the available data for the New York headquarters region and found that purchases of tickets 21 days in advance were made with respect to 74.58 per cent of travel bookings.

97. For UN-Habitat, of the 2,398 approved travel requests for January to September 2016, 2,067 (86 per cent) did not comply with the policy for purchase of tickets 16 days in advance of travel. Delays in issuing tickets were attributed mainly to delays by staff members in submitting travel requests to the certifying officer and delays by certifying officers in approving and submitting the approved requests to UNON. The Board also noted that 367 travel requests had been approved after the date of travel. Those included 24 requests (7 per cent) which had been submitted by staff members 22 to 65 days before the date of travel.

98. In the International Residual Mechanism for Criminal Tribunals, of the 281 trips in 2016, 205 did not comply with the requirement of purchase of tickets at least 16 days before the commencement of travel. Of those 205 trips, 53 were for human resources and entitlement travel, which could have been foreseen and the related tickets purchased in advance to avoid delays.

99. At UN-Women, in five out of the six field offices visited, the Board noted that 164 (87 per cent) of 188 travel requests had been submitted to the processing unit within 15 days prior to the date of travel. The Board also noted that liquidation of 137 (39 per cent) of 349 travel claims had been delayed for more than two weeks after completion of the respective travel missions.

100. Travel arrangements fall under a common shared services framework in which the Travel, Shipping and Visa Unit of the United Nations Office at Nairobi provides travel processing services to UNEP. The arrangement requires travellers to submit travel requests 21 days before the date of travel for the process to be finalized within 16 days before travel. The Board reviewed all travel requests for nine months from 1 January to 30 September 2016 and noted that 3,755 staff travel requests had been approved for travel, of which 2,185 requests (58 per cent) related to tickets issued less than 16 calendar days before travel.

101. Out of a total of 256 trips costing $2.42 million pertaining to UNOPS headquarters personnel in 2016, tickets for 36 trips, costing $0.22 million, had not been booked at least seven days in advance. The Board noted that bookings initiated less than seven days in advance of departure had not been captured in reports from the travel tool.

III. Implementation of outstanding recommendations

102. In every audit report, the Board analyses various issues during the audit and makes recommendations. The recommendations are addressed at improving the functioning of an entity. From time to time, the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee have expressed concern over the slow rate of implementation of the Board's recommendations and have requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to ensure full implementation of the recommendations. The Board reviewed the status of old recommendations (see table 13) and noted that the overall rate of implementation of the old recommendations had increased to 45 per cent in 2016 from 43 per cent in 2015.

103. The Board is concerned about the number of recommendations pending for more than two years. There are 53 recommendations that have been pending for more than two years, which is 9 per cent of the total recommendations outstanding as at 31 December 2015. This shows that the Administration needs to work more seriously towards implementing these old recommendations. The Administration cited reasons such as delays in formulating policy, implementation and development of eTools for these long-pending recommendations.

Table 13
Status of previous audit recommendations

Entity	*Number of previous audit recommendations as at end of financial period*		*Fully implemented during the period*		*Under implementation during the period*		*Not implemented during the period*		*Overtaken by events during the period*		*Number of recommendations pending for more than two years*[a]
	2016	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*	
United Nations (Vol. I)	98	63	17	8	66	22	10	32	5	1	23
United Nations peacekeeping operations	63	63	39	33	16	25	1	2	7	3	6
ITC	14	18	2	13	12	4	0	0	0	1	1
United Nations Capital Development Fund	10	16	6	12	2	3	1	0	1	1	0
UNDP	40	31	29	15	10	14	0	2	1	0	0
UNEP	23	14	15	4	6	10	1	0	1	0	0
UNFPA	30	20	15	14	15	6	0	0	0	0	0
UN-Habitat	13	20	4	16	9	4	0	0	0	0	3
UNICEF	36	23	24	9	11	14	0	0	1	0	1
UNITAR	19	13	10	2	9	10	0	1	0	0	2
UNHCR	47	34	9	6	28	25	0	0	10	3	3
UNJSPF	26	12	5	3	20	7	1	2	0	0	3
UNODC	38	27	11	8	18	11	0	1	9	7	1
UNOPS	37	43	14	24	23	18	0	1	0	0	4
UNRWA	67	71	38	25	26	44	1	1	2	1	5
UNU	17	14	8	10	7	4	0	0	2	0	1
UN-Women	30	19	25	6	5	13	0	0	0	0	0
ICTR	0	7	0	5	0	0	0	0	0	2	0
ICTY	6	7	3	6	3	0	0	0	0	1	0
International Residual Mechanism for Criminal Tribunals	5	0	3	0	2	0	0	0	0	0	0
Total	**619**	**515**	**277**	**219**	**288**	**234**	**15**	**42**	**39**	**20**	**53**
Percentage			**45**	**43**	**47**	**45**	**2**	**8**	**6**	**4**	**9**

Source: Audit reports of the Board.

[a] Recommendations made for audit of financial statements of 2013 or earlier.

IV. Acknowledgement

104. The Board wishes to express its appreciation for the cooperation and assistance extended to it and its staff by the United Nations Secretariat and the funds and programmes.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General
of the United Republic of Tanzania

Annex I

Organizations

Organization	*Lead auditor*
United Nations (Vol. I)	India
United Nations peacekeeping operations	Germany
International Trade Centre	India
United Nations Capital Development Fund	United Republic of Tanzania
United Nations Development Programme	United Republic of Tanzania
United Nations Environment Programme	United Republic of Tanzania
United Nations Population Fund	United Republic of Tanzania
United Nations Human Settlements Programme	United Republic of Tanzania
United Nations Children's Fund	India
United Nations Institute for Training and Research	Germany
Office of the United Nations High Commissioner for Refugees	Germany
United Nations Joint Staff Pension Fund	India
United Nations Office on Drugs and Crime	Germany
United Nations Office for Project Services	India
United Nations Relief and Works Agency for Palestine Refugees in the Near East	United Republic of Tanzania
United Nations University	Germany
United Nations Entity for Gender Equality and the Empowerment of Women	United Republic of Tanzania
International Criminal Tribunal for Rwanda	United Republic of Tanzania
International Tribunal for the Former Yugoslavia	United Republic of Tanzania
International Residual Mechanism for Criminal Tribunals	United Republic of Tanzania

Annex II

Explanation of types of audit opinions

	Modified		
Unmodified unqualified	*Qualified*	*Adverse*	*Disclaimer*
An unmodified opinion implies that the financial statements of the auditee were prepared, in all material respects, in accordance with the applicable financial reporting framework, i.e., the International Public Sector Accounting Standards, which have been adopted by the United Nations and its funds and programmes.	A qualified opinion implies that the auditor, who, having obtained sufficient and appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements, or that the auditor is unable to obtain sufficient appropriate audit evidence on which to base an opinion on specific areas, but concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive. Therefore an auditor expresses an opinion on the fair presentation of financial statements, but with an exception only for the area for which he/she did not get sufficient audit evidence.	An adverse opinion implies that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements, based on sufficient appropriate audit evidence.	A disclaimer of opinion is issued when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, normally due to scope limitation, and concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive. A disclaimer of opinion shall also be issued when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding his or her having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements owing to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

Note: "Emphasis of matter" is to draw users' attention to a matter presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report. "Other matters" is to draw attention to any other matter that is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

Annex III

Sustainable Development Goals and United Nations entities

	ITC	*United Nations Capital Development Fund*	*UNDP*	*UNEP*	*UNFPA*	*UN-Habitat*	*UNICEF*	*UNITAR*	*UNODC*	*UNOPS*	*UNRWA*	*UNU*	*UN-Women*	*ICTY*	*International Residual Mechanism for Criminal Tribunals*
1. Has the entity formulated a long-term strategy on its role in the implementation of the Sustainable Development Goals?	No[a]	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No[b]	Yes	No	No
2. If the entity has formulated such a strategy:															
• Has it identified the specific Goals that would be addressed by the entity?	N/A[c]	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	Yes	N/A	N/A
• Has it identified the other United Nations entities with which it has to cooperate or coordinate its efforts on specific Goals?	N/A	Yes	Yes	Yes	Yes	Yes	Yes	No	N/A	N/A	N/A	N/A	Yes	N/A	N/A

	ITC	United Nations Capital Development Fund	UNDP	UNEP	UNFPA	UN-Habitat	UNICEF	UNITAR	UNODC	UNOPS	UNRWA	UNU	UN-Women	ICTY	International Residual Mechanism for Criminal Tribunals
• Is the strategy supported by detailed operational plans with key performance indicators and periodic targets against such indicators?	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	Yes	N/A	N/A
• Is the strategy supported by clearly earmarked budget allocations for supporting implementation of the Goals?	N/A	Yes	Yes	No	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	Yes	N/A	N/A
• Is the strategy supported by a robust monitoring mechanism to periodically review the progress made by the entity on the Goals?	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	Yes	N/A	N/A

	ITC	*United Nations Capital Development Fund*	*UNDP*	*UNEP*	*UNFPA*	*UN-Habitat*	*UNICEF*	*UNITAR*	*UNODC*	*UNOPS*	*UNRWA*	*UNU*	*UN-Women*	*ICTY*	*International Residual Mechanism for Criminal Tribunals*
3. If the entity has not formulated such a strategy, does the entity still support implementation of the various Goals through ad hoc action, in the absence of a long-term strategy?	Yes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes	Yes	Yes	Yes	N/A	Yes	Yes

Note: The United Nations (Vol. I) and UNJSPF are not included in the table above owing to their nature and complexity of operations. In the case of UNHCR, this topic will be elaborated upon in an audit in one of the next several years.

[a] ITC is preparing its new strategy (for the period 2018-2021) in 2017. ITC defined the Sustainable Development Goals to which it contributes in 2015. All ITC programmes and projects contribute to specified targets of the Goals, which are presented in the operational plan of ITC.

[b] UNU has not compiled a specific long-term strategy with regard to its role in implementation of the Goals or included the Goals explicitly among its priority themes in the current strategic plan (prepared in 2014). Nevertheless, most, if not all, of the institutes of UNU, through their research activities, address specific Goals or aspects thereof and are strongly involved in global networks and initiatives to implement the Goals.

[c] N/A means not applicable.